



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

July 9, 2003

**S. 1234**

**Federal Trade Commission Reauthorization Act of 2003**

*As ordered reported by the Senate Committee on Commerce, Science,  
and Transportation on June 19, 2003*

**SUMMARY**

S. 1234 would authorize the appropriation of \$900 million for the Federal Trade Commission (FTC) over the 2004-2007 period, including up to \$100,000 a year to support activities of certain international law enforcement groups. Because S. 1234 would allow the FTC to accept and spend monetary gifts, CBO estimates that the bill would have a negligible effect on revenues and direct spending.

Assuming appropriation of the amounts specified in S. 1234, CBO estimates that implementing the bill would cost \$179 million in 2004 and \$900 million over the 2004-2008 period. Most of this spending would likely be offset, however, by fees authorized to be collected under current law for reviewing certain mergers and for administering a national “do-not-call” registry. Assuming future appropriation acts allow the FTC to continue to collect those fees, CBO estimates that net FTC spending from the amounts authorized by S. 1234 would be \$49 million in 2004 and \$340 million over the 2004-2008 period.

S. 1234 would preempt state and local laws that require notice to third parties when certain information relating to them is disclosed to the FTC. Such preemptions are intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the costs of the mandates would not exceed the threshold established in UMRA (\$59 million in 2003, adjusted for inflation).

In addition, S. 1234 would exempt from liability those entities that provide certain information on third parties to the FTC. To the extent that the bill limits the ability of a third party to sue under current law, S. 1234 would impose a private-sector mandate. CBO expects the costs to the private sector would be minimal, falling well below the annual threshold for private-sector mandates established in UMRA (\$117 million in 2003, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1234 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

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	By Fiscal Year, in Millions of Dollars				
	2004	2005	2006	2007	2008
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Gross FTC Spending From Authorizations in S. 1234					
Authorization Level	195	225	236	245	0
Estimated Outlays <sup>a</sup>	179	222	235	244	20
Less: Offsetting Collections <sup>b</sup>					
Estimated Authorization Level	-130	-136	-144	-150	0
Estimated Outlays	-130	-136	-144	-150	0
Net FTC Spending From Authorizations in S. 1234					
Estimated Authorization Level	65	89	92	95	0
Estimated Outlays <sup>a</sup>	49	86	91	94	20

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a. In addition to the sums shown in the table, outlays for fiscal year 2004 would also include \$14 million from the FTC's 2003 appropriation.

b. The FTC is authorized to collect fees that offset the agency's annual appropriations. The amount collected is not dependent on the amount appropriated.

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## BASIS OF ESTIMATE

S. 1234 would authorize the appropriation of \$900 million for the FTC over the 2004-2007 period, starting at \$195 million for 2004 and growing to \$245 million for 2007. (The appropriation for 2003 is \$177 million.) Based on the agency's historical spending patterns, CBO estimates that outlays from such appropriations would total \$179 million in 2004 and \$900 million over the 2004-2008 period.

The gross spending of the FTC is typically offset by fees the agency collects for reviewing mergers and for administering the national "do-not-call" registry. The amount collected is not dependent on the amount appropriated to the FTC. CBO estimates that collections from those fees would total \$560 million over the 2004-2007 period, assuming that future appropriation acts continue to authorize the agency to collect such fees. If the FTC collects

those amounts, we estimate that net FTC spending from the amounts authorized by S. 1234 would be \$49 million in 2004 and \$340 million over the 2004-2008 period.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

Title II would authorize the FTC to request that a judge order the recipient of a summons, subpoena, or other compulsory process to delay giving notice to anyone that they have been required to appear as a witness before, or to produce documents in, an FTC proceeding. The order could be issued, notwithstanding any state or local laws or regulations, if there is reason to believe that notification would cause certain adverse results. Further, the recipient would not be liable under any state or local laws or regulations for disclosing information or for failure to provide notice. The title also would protect certain entities that voluntarily provide specified material to the FTC from liability under any state or local law or regulation that precludes disclosure of information or requires notification to an interested third party.

To the extent that state and local governments have laws that contradict those provisions in title II, the legislation would preempt those laws and thereby impose intergovernmental mandates under UMRA. CBO estimates that the cost of those mandates would be minimal and would not exceed the threshold established in UMRA (\$59 million in 2003, adjusted for inflation).

In addition, by exempting from liability entities that provide information about third parties to the FTC, S. 1234 would limit the ability of the third parties to sue for the disclosure or for failure to provide notice of disclosure. Such a limitation would constitute a private-sector mandate under UMRA. According to the FTC, few third-party lawsuits are filed because entities do not voluntarily provide information to the FTC due to their potential exposure to liability. Therefore, CBO expects minimal costs would accrue to the private sector as a result of the mandate.

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